

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Blaine Township	County Benzie
Fiscal Year End 3/31/06	Opinion Date 8/28/06	Date Audit Report Submitted to State 9/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☐ ☒ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 1107 E. 8TH STREET		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

**TOWNSHIP OF BLAINE
BENZIE COUNTY, MICHIGAN**

**REPORT ON BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2006

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Independent Auditor's Report

Members of the Township Board
Blaine Township
Benzie County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Blaine, as of and for the year ended March 31, 2006, which collectively comprise the Townships' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Blaine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Blaine, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Blaine has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2006. The Township of Blaine has not presented the Managements Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required to be part of, the basic financial statements.

The required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Blaine's basic financial statements. The supplementary data section is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
August 28, 2006

1107 East Eighth Street Traverse City, MI 49686 | tel. 231-946-8930 | fax. 231-946-1377

TOWNSHIP OF BLAINE
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
YEAR ENDED MARCH 31, 2006

	Governmental Fund Types					
	General	Cemetery Perpetual Care Fund	Non-Major Funds	Total Governmental Funds	Adjustments	Statement Of Net Assets
ASSETS						
Cash	\$ 120,572	\$ 2,481	\$ 3,634	\$ 126,687	\$	\$ 126,687
Certificate of deposits/Investments	20,160	33,770		53,930		53,930
Taxes receivable	1,598			1,598		1,598
Due from other funds	7,030			7,030		7,030
Due from state	5,583			5,583		5,583
Capital Assets:						
Land and land improvements					51,469	51,469
Buildings and other equipment, net of accumulated depreciation					63,725	63,725
TOTAL ASSETS	<u>\$ 154,943</u>	<u>\$ 36,251</u>	<u>\$ 3,634</u>	<u>\$ 194,828</u>	<u>\$ 115,194</u>	<u>\$ 310,022</u>
LIABILITIES:						
Due to other governmental units	\$ 3,826		\$	\$ 3,826	\$	\$ 3,826
FUND BALANCE/NET ASSETS						
Fund balances:						
Reserved for perpetual care fund		36,251		36,251	(36,251)	
Undesignated	151,117		3,634	154,751	(154,751)	
TOTAL FUND BALANCE	<u>151,117</u>	<u>36,251</u>	<u>3,634</u>	<u>191,002</u>	<u>(191,002)</u>	
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 154,943</u>	<u>\$ 36,251</u>	<u>\$ 3,634</u>	<u>\$ 194,828</u>		
NET ASSETS						
Invested in Capital Assets					115,194	115,194
Reserved for perpetual care - nonexpendable					36,251	36,251
Unrestricted					154,751	154,751
TOTAL NET ASSETS					<u>306,196</u>	<u>306,196</u>
					<u>\$ 115,194</u>	<u>\$ 310,022</u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

Total governmental fund balance	\$ 191,002
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>115,194</u>
Net Assets of Governmental Activities	<u><u>\$ 306,196</u></u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2006

	Governmental Fund Types					
	General	Cemetery Perpetual Care Fund	Non-Major Funds	Total Governmental Funds	Adjustments	Statement of Activities
REVENUES:						
Property taxes	\$ 21,372		\$	\$ 21,372		\$ 21,372
State revenue sharing	35,186			35,186		35,186
Charges for services:						
Property tax administration	10,844			10,844		10,844
Other charges	950			950		950
Interest	4,005	664	42	4,711		4,711
Rents	3,160			3,160		3,160
Miscellaneous	299	2,700		2,999		2,999
TOTAL REVENUES	75,816	3,364	42	79,222		79,222
EXPENDITURES:						
Legislative:						
Township Board	6,131			6,131		6,131
General government:						
Supervisor	4,034			4,034		4,034
Elections	861			861		861
Assessor	8,124			8,124		8,124
Attorney fees						
Clerk	6,111			6,111		6,111
Board of Review	800			800		800
Treasurer	8,071			8,071		8,071
Building and grounds	4,049			4,049		4,049
Cemetery	9,106			9,106	(2,977)	6,129
Depreciation					2,816	2,816
Public safety:						
Fire protection	32,806			32,806		32,806

	Governmental Fund Types					
	General	Cemetery Perpetual Care Fund	Non-Major Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES (Continued):						
Public works:						
Highways and streets	236			236		236
TOTAL EXPENDITURES	80,329			80,329	(161)	80,168
EXCESS OF REVENUES OVER EXPENDITURES	(4,513)	3,364	42	(1,107)	161	(946)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	707			707		707
Operating transfers (out)		(665)	(42)	(707)		(707)
TOTAL OTHER FINANCING SOURCES (USES)	707	(665)	(42)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,806)	2,699		(1,107)	1,107	
CHANGE IN NET ASSETS					(946)	(946)
FUND BALANCE/NET ASSETS, beginning of year	154,923	33,552	3,634	192,109	115,033	307,142
FUND BALANCE/NET ASSETS, end of year	\$ 151,117	\$ 36,251	\$ 3,634	\$ 191,002	\$ 115,194	\$ 306,196

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Net change in fund balance	\$	(1,107)
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Amounts reported for governmental activities are different because:

Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets are depreciated over their estimated useful lives.

Expenditures of capital assets		2,977
Current year depreciation		(2,816)
		(946)

Net Assets of Governmental Activities	\$	(946)
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The accompanying notes are an integral part of these statements.

**TOWNSHIP OF BLAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2006**

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 7,030</u>
TOTAL ASSETS	<u><u>\$ 7,030</u></u>
<u>LIABILITIES</u>	
Due to other funds	<u>\$ 7,030</u>
TOTAL LIABILITIES	<u><u>\$ 7,030</u></u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Blaine (Township), Benzie County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of summary of significant accounting policies by the Township.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations. (Not included by the Township)
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, sidewalks, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township has elected to implement the provision of Statement No. 34 in the current year.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *cemetery perpetual care fund, a permanent fund*, is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Additionally, the government reports the following fund types:

The *nonexpendable trust fund* is accounted for utilizing the accrual method of accounting. Nonexpendable trust funds account for assets for which the principal may not be spent. The Cemetery Perpetual Care fund is a nonexpendable trust fund.

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Cash and investments

The Township reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to the finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 Township tax roll general millage rate was .7294 mills. The taxable value was \$32,497,287.

Fixed Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated fixed assets are stated at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment of a fund is determined by its measurement focus. General capital assets are long-lived assets of the Township as a whole. Infrastructure such as streets, traffic signals and signs will be capitalized on a prospective basis. The valuation basis for the general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS

Capital asset balances and activity for the year ended March 31, 2006 were as follows:

Primary Government	<u>Balance 3/31/05</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance 3/31/06</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	<u>\$ 46,480</u>	<u>\$</u>	<u>\$</u>	<u>\$ 46,480</u>
Total capital assets not being depreciated	<u>46,480</u>			<u>46,480</u>
Capital assets, being depreciated				
Buildings	109,884			109,884
Equipment	10,633			10,633
Land Improvements	<u>4,989</u>	<u>2,977</u>		<u>7,966</u>
Total capital assets being depreciated	<u>125,506</u>	<u>2,977</u>		<u>128,483</u>
Less accumulated depreciation for:				
Buildings	46,071	2,417		48,488
Equipment	10,633			10,633
Land Improvements	<u>249</u>	<u>399</u>		<u>648</u>
Total accumulated depreciation	<u>56,953</u>	<u>2,816</u>		<u>59,769</u>
Total capital assets, being depreciated, net	<u>68,553</u>	<u>161</u>		<u>68,714</u>
Governmental activities capital assets, net	<u><u>\$ 115,033</u></u>	<u><u>\$ 161</u></u>	<u><u>\$</u></u>	<u><u>\$ 115,194</u></u>

NOTE 3 – INTERFUND TRANSACTIONS

The amounts of Interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 7,030</u>	Current Tax Collection	<u>\$ 7,030</u>

The amounts of Interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 707	Cemetery Development Fund	\$ 42
		Cemetery Perpetual Care	<u>665</u>
	<u><u>\$ 707</u></u>		<u><u>\$ 707</u></u>

TOWNSHIP OF BLAINE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – POSTEMPLOYMENT BENEFITS

The Township provides no post employment benefits to past employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceed the amount of insurance coverage in any the past five fiscal years.

NOTE 6 – DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 40 risk disclosure for deposits at year end are as follows:

At year-end, the carrying amount of the Township's deposits were \$133,717, including short-term certificate of deposits of \$101,960, and the bank balance was \$142,294 of which \$140,371 was covered by federal depository insurance and \$1,923 was uninsured and uncollateralized.

Investments

The Township had the following investments as of March 31, 2006:

Certificate of Deposit – Matures 7/25/07	\$ 23,500
Certificate of Deposit – matures 3/28/07	20,160
Mutual Funds	<u>10,270</u>
	<u><u>\$ 53,930</u></u>

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Township places no limit on the amount the district may invest in any one issuer.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF BLAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Property taxes	\$ 28,800	\$ 28,800	\$ 21,372	\$ (7,428)
State revenue sharing	33,000	33,000	35,186	2,186
Charges for services				
Property tax administration	10,300	10,300	10,844	544
Other charges	1,600	1,600	950	(650)
Interest	3,500	3,500	4,005	505
Rents	2,800	2,800	3,160	360
Miscellaneous			299	299
TOTAL REVENUES	80,000	80,000	75,816	(4,184)
EXPENDITURES:				
Legislative:				
Township Board	6,350	6,350	6,131	219
General government:				
Supervisor	4,050	4,050	4,034	16
Elections	2,300	2,300	861	1,439
Assessor	8,200	8,200	8,124	76
Attorney Fees				
Clerk	6,100	6,100	6,111	(11)
Board of Review	1,100	1,100	800	300
Treasurer	8,200	8,200	8,071	129
Building and grounds	5,000	5,000	4,049	951
Cemetery	4,850	4,850	9,106	(4,256)
Public safety:				
Fire protection	32,909	32,909	32,806	103
Public Works:				
Highways and streets	480	480	236	244
TOTAL EXPENDITURES	79,539	79,539	80,329	(790)
EXCESS OF REVENUES OVER EXPENDITURES	461	461	(4,513)	(4,974)
OTHER FINANCING SOURCES (USES):				
Operating transfers in			707	707
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>\$ 461</u>	<u>\$ 461</u>	(3,806)	<u>\$ (4,267)</u>
FUND BALANCE, beginning of year			<u>154,923</u>	
FUND BALANCE, end of year			<u>\$ 151,117</u>	

Supplementary Data Section

**TOWNSHIP OF BLAINE
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006**

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
ASSETS				
Cash in bank	\$ 8,273	\$ 874,073	\$ 875,316	\$ 7,030
LIABILITIES				
Due to other funds	\$ 8,273	\$ 32,039	\$ 33,282	\$ 7,030
Due to other taxing units		842,034	842,034	
Total Liabilities	\$ 8,273	\$ 874,073	\$ 874,073	\$ 7,030



August 28, 2006

To the Township Board
Township of Blaine

In planning and performing our audit of the financial statements of the Township of Blaine for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Blaine's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our study and evaluation of internal control disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

General Ledger

Currently, the Clerk records transactions for all funds within the same general ledger. Then for the audit we break out the different funds. The Clerk should maintain a general ledger for each fund separately.

Budgeting

The Township has complied with the spirit of P.A. 621, Budgeting, but has expended more than the budgeted amount in certain categories. The Township may amend the budget throughout the year for any unforeseen expenditures.

Investment Policy

Governmental Accounting Standards Board has issued Statement #40, *Deposit and Investment Risk Disclosures*, which was effective for the March 31, 2006 annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk.

Although GASB 40 does not specifically require an Investment Policy, governmental units will certainly want to consider adopting an updated policy. You will need to disclose in your annual audit footnotes:

- the government's investment policy for any specific type of risk to which the Township is exposed, or
- the fact that your Township has no investment policy that addresses the specific type of risk to which the Township is exposed.

The Township is generally conservative minded when investing its excess deposits, but a policy which defines that risk level of the Township will protect its investments.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of treasury and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants